

COMMONWEALTH of VIRGINIA

Office of the Governor

Robert F. McDonnell Governor

February 18, 2013

The Honorable Barack H. Obama President of the United States The White House 1600 Pennsylvania Avenue, NW Washington, DC 20500

Dear President Obama:

I write today to respectfully request your immediate attention to address the potential devastation that looming cuts to defense due to sequestration will have on national security and on the economic well-being of the citizens of the Commonwealth. As we all know, the defense, and other, cuts in the sequester were designed to be a hammer, not a real policy. Unfortunately, inaction by you and Congress now leaves states and localities to adjust to the looming threat of this haphazard idea. While Virginia has fought its way to the lowest unemployment rate in the southeast at 5.5 percent and has seen three years of state budget surpluses, the unprecedented uncertainty caused by Washington's fiscal policies is making it harder for families, businesses, and the Commonwealth to plan for the future.

The automatic sequestration reductions mandated by the Budget Control Act of 2011 are already having a significant adverse effect on the Commonwealth. When fully implemented, they could force Virginia and other states into a recession. Sequestration-mandated reductions will be implemented with no regard for relative national priorities. These reductions will have a potentially devastating impact in the Commonwealth, with the Northern Virginia and Hampton Roads regions at the greatest risk.

Each of the military service chiefs has been provided guidance from the Deputy Secretary of Defense authorizing them to take immediate steps to reduce expenditures and conduct detailed planning to enact the budgetary cuts. The service chiefs have provided instructions to their senior leaders to immediately begin cutting expenditures. Cuts currently under way include terminating thousands of temporary civilian workers, reducing base operations to achieve a 30% reduction, limiting supply purchases to essential FY13 consumption, restricting non mission-critical purchases, reviewing contracts and studies for possible cost savings, and canceling ongoing and scheduled studies that are not congressionally directed or mission-critical.

Here in Virginia, we fully support federal efforts to reform government and cut spending. In fact, much more than the \$1.2 trillion in sequestration cuts must be done. The nation is an immoral \$17 trillion in debt, and it appears from your State of the Union speech that years of

The Honorable Barack H. Obama February 18, 2013 Page 2

new deficit spending and increased debt lay ahead. We just ask that you don't put a disproportionate share of the burden on our defenders of freedom. Nearly \$1 trillion in cuts over the next decade will be "devastating" to the military according to Secretary Panetta.

Civilian pay makes up a large portion of the services' operating budget, and each service has been directed to consider the possibility of civilian furloughs of up to 30 calendar days or 22 discontinuous workdays. Many of these citizens are already hard hit by years of recession.

Under the Navy cuts alone, Virginia faces \$1.4 billion in losses including the cancellation of about \$270 million in maintenance work on eight destroyers, an amphibious assault ship and the carrier U.S.S. Eisenhower planned between April and September 2013; reducing ship operations and flying hours; deferring naval construction projects; cutting base operations and support in Hampton Roads; and cutting in half funds for fleet restoration and modernization. We are attempting to recognize a large peace dividend, but there is no peace in Afghanistan, and uncertainty in the Mid-East.

In the event that you and the Congress take no action and allow sequestration to proceed, we are estimated to lose approximately 82,000 direct jobs at federal agencies and contractors, and an additional 82,000 indirect jobs supported by business and personal spending that will be impacted by the cuts. Northern Virginia will absorb more than 60% of these losses, Hampton Roads approximately 20%, and Richmond 12%.

A report prepared for the Virginia Economic Development Partnership identifies potential impacts by the top 100 industries and the top 100 job classifications in Virginia. The report notes that current inventory of federal assets in the Commonwealth is substantial and, as such, highly exposed.

- Virginia represents 2.8% of GDP and 2.6% of U.S. population, yet its businesses competed for and won 16% of all federal contracts (\$78 billion) in FY2011.
- Virginia has 6% (174,000) of all federal workers and is home to 19 military establishments, 90 federal facilities, 550 federal government-leased or -owned properties, and 25,000 federal government contractors.

The report concludes that the Virginia economy may lose a total of \$4.2 billion in economic output in five years or 0.6% of the total state output. This includes \$2.2 billion in direct DoD federal payroll and procurement spending over five years. The DoD spending cuts can also generate an additional \$1.8 billion reduction in economic output in the form of indirect and induced impacts.

Under governors of both parties, the Commonwealth has long been noted for its fiscal stewardship, sound management, and as a premier location for business and economic development. In order to mitigate the negative impacts as effectively and as quickly as possible, and to ensure a continued robust economy in Virginia, it is critical that you lead Mr. President, and that you work with Congress to come together in the best interests of the nation, and produce

The Honorable Barack H. Obama February 18, 2013 Page 3

the necessary legislation to avoid the disastrous effects of this ill-conceived policy. I know that you promised in your third debate of this past campaign that sequestration will not happen. Now is the time to deliver.

I urge you to repeal this blunt and unnecessary instrument and embark on the shaping of a responsible legislative alternative to meet our nation's fiscal crises.

Sincerery

Robert F. McDonnell

RFM/pdw

cc:

The Honorable Mark Warner

The Honorable Tim Kaine

The Honorable Robert J. Wittman

The Honorable Scott Rigell

The Honorable Robert C. "Bobby" Scott

The Honorable J. Randy Forbes

The Honorable Robert Hurt

The Honorable Robert W. "Bob" Goodlatte

The Honorable Eric I. Cantor

The Honorable James P. Moran, Jr.

The Honorable H. Morgan Griffith

The Honorable Frank R. Wolf

The Honorable Gerry Connolly